

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 1550 - HB 2030

February 28, 2011

SUMMARY OF BILL: Increases, from three to five, the maximum number of officers of a corporation who can be exempted from the requirement to carry workers' compensation insurance on themselves. Decreases, from 30 to 20 percent, the share of ownership required for partners in a partnership or members of limited liability companies to be eligible for exemption. Authorizes an individual, associated with multiple business entities, to be listed as exempt for each entity in the Workers' Compensation Exemption Registry.

ESTIMATED FISCAL IMPACT:

**Increase State Revenue – \$3,000/Recurring/Employee Misclassification
Education and Enforcement Fund**

**Decrease State Revenue – \$200/Recurring/TOSHA
\$1,800/Recurring/General Fund**

**Increase State Expenditures – \$8,000/One-Time/Employee Misclassification
Education and Enforcement Fund**

Assumptions:

- According to the Secretary of State, there will be approximately 10 additional applicants each year who do not have a contractor's license who will pay an application fee of \$200 and 10 additional applicants each year who have a contractor's license who will pay an application fee of \$100. The recurring increase in revenue to the Employee Misclassification Education and Enforcement Fund (EMEEF) from application fees will be \$3,000 [(10 applicants x \$200) + (10 applicants x \$100)].
- A decrease in the number of persons obtaining workers' compensation insurance will decrease the total amount of premiums paid and as a result will decrease the amount of premium taxes collected.
- According to the Department of Commerce and Insurance, the average annual premium tax and surcharge collection is \$100 per person. Total collections will decrease by \$2,000 (\$100 tax collection x 20 applications).
- The workers' compensation premium tax rate is 4.4% (4.0 percent plus a 0.4 percent surcharge). Premium tax revenue from the four percent portion (or 90.9 percent of total premium tax revenue) is allocated to the General Fund. Revenue from the 0.4 percent

surcharge (or 9.1 percent of total premium tax revenue) is earmarked to administer the provisions of the Tennessee Occupational Safety and Health Act (TOSHA) in accordance with Tenn. Code Ann. § 56-4-206.

- The total decrease in revenue earmarked for TOSHA will be \$182 (\$2,000 x 9.1%).
- The total decrease in revenue for the General Fund will be \$1,818 (\$2,000 x 90.9%).
- A one-time state expenditure from the EMEEF of \$8,000 for systems development costs to pay the outside contractor to modify the BEAR Workers' Compensation Exemption Registry.
- Printing and postage costs for processing and mailing correspondence to the additional applicants will be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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